



Quality & Procurement  
Requirements

## **Supplier Quality & Procurement Requirements**

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## **Quality Policy**

*Total Customer Satisfaction through Teamwork and Continuous Improvement in order to Deliver Quality Solutions that conforms to Customer Requirements on Time, Every Time*

## **HDT Mission**

*“Proven Solutions for extreme environments--We’re there with you”*

## **HDT Foundational Priorities**

- 1. Build One Company...great people with one mission and shared values*
- 2. Deliver Results...keeping our promises to customers, colleagues, and shareholders*
- 3. Drive Strategy...always looking forward, aligned, and focused to strengthen our business today and into the future*

## **HDT Shared Values**

- 1. Safety – We share a fundamental, unwavering commitment to the safety and wellness of our colleagues, customers, and communities where we serve.*
- 2. Quality – We commit to excellence and continuous improvement in everything we do. We deliver effective and suitable solutions to our customers and for each other.*
- 3. Integrity – We do the right thing. We believe that our reputation is defined by actions, intentions, and convictions. We build relationships based on trust, openness, and delivering to our commitments.*
- 4. Innovation – We foster new ideas and celebrate seeing those ideas out into practice. We solve the most challenging problems and enable new possibilities.*
- 5. Service – We embrace the noble cause of service to others, unleashing their potential and making a positive difference every day.*

## 1.0 Introduction

This Supplier Quality & Procurement Manual (SQPM) is intended to define the requirements for HDT Suppliers. The requirements, responsibilities and expectations defined herein apply to Suppliers of materials, products, or services, intended to be used in or on a customer-deliverable product.

HDT Expeditionary Systems adheres to the requirements of ISO 9001 as their fundamental Quality Management System standard. Suppliers with current registration to ISO 9001, or a recognized equivalent, will be preferred potential suppliers to HDT. Supplier's that DO NOT have an ISO 9001 compliant Quality Management System certified by a 3<sup>rd</sup> party registrar should be working toward that goal.

This document shall apply in its entirety to each purchase order as defined above. The requirements apply to all items, including those items normally supplied under a Federal Acquisition Regulation (FAR).

## 2.0 Purpose

Our commitment to customer satisfaction and continuous quality improvement must be shared by all HDT Expeditionary Systems suppliers. HDT selects suppliers that complement the HDT Global supply chain. It is our intent to purchase from suppliers who consistently meet expectations for quality, delivery, value and service. Together we will maintain effective quality management systems to remain competitive in today's market place.

Therefore, the purpose of this Supplier Quality Manual is to communicate to our suppliers, the tools, processes and systems that are to be used in the manufacture, design and development of parts, products and/or services supplied or provided to HDT Expeditionary Systems. This manual, documents the minimum requirements for all of our suppliers.

## 3.0 Supplier Expectations

HDT Expeditionary Systems goal is to work with suppliers who deliver the best quality, value and service at the most competitive cost. In order to achieve this goal, we monitor and measure supplier performance routinely across several factors.

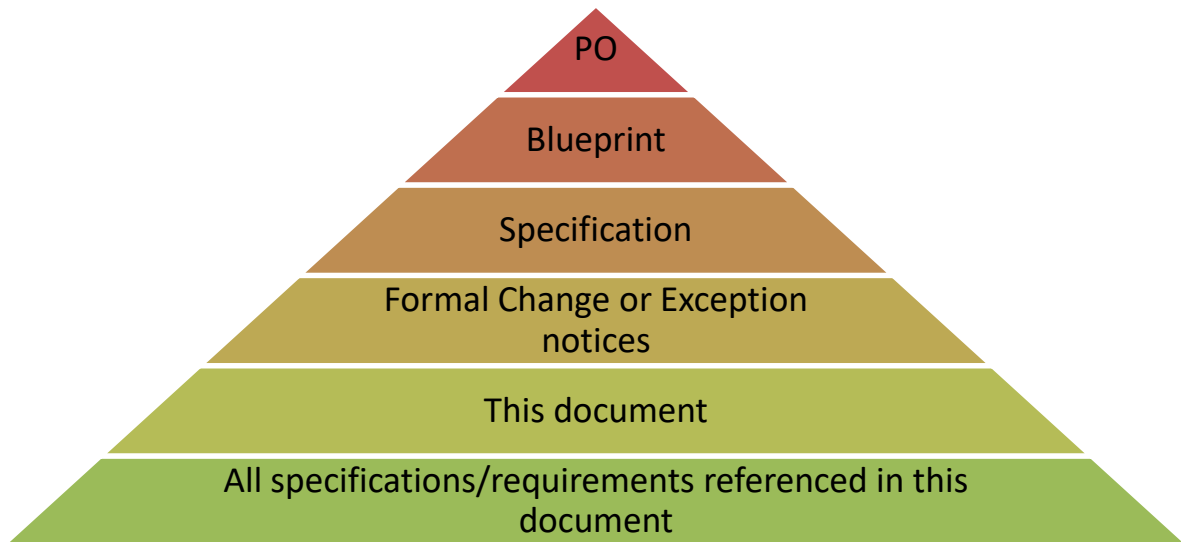
These Factors include:

- ZERO Quality Defects – Number of defects discovered

- 100% On time delivery – Number of days early/late
- Supplier-caused disruptions on our Assembly Lines
- Timely responsiveness to issues

#### **4.0 Order of Precedence for Technical Documents**

In the event of a conflict in requirements between technical documents, the following order of precedence shall prevail:



- a. Purchase Order
- b. Blueprint
- c. Specification(s)
- d. ECNs/Formal Change Notice or Exceptions (in writing)
- e. This document
- f. All specifications/requirements referenced in this document or contractual document.

The configuration requirements specified in the PO will contain applicable drawings, associated revision levels and supplemental drawing data. Supplier is responsible for determining specification revision levels are current.

It is the supplier's responsibility to contact HDT Supply Chain or Quality representative for clarification and interpretation, if there are conflicts in documentation.

## 5.0 Scope of Procedure

This Manual applies to all current and new suppliers who provide raw materials, purchased parts, components and services that are incorporated into the final products manufactured and/or assembled by HDT Expeditionary Systems.

The Supplier has the responsibility to deliver quality purchased parts and services on time, and that conform to the requirements of:

1. The Customer Drawing
2. The Purchase Order
3. Specified Standards
4. HDT Terms and Conditions

## 6.0 Proprietary / Confidentiality Information

HDT Expeditionary Systems shall only disclose proprietary information to suppliers on a need-to-know basis in accordance with an established confidential relationship via a signed, active Non-Disclosure Agreement.

All documentation provided to our Suppliers with regards to Purchase Orders or request for quotes are to be considered proprietary information. Suppliers shall, in turn, take the utmost care in protecting all proprietary information. This includes notification to HDT Expeditionary Systems prior to the transfer of proprietary information to a third party; wherein HDT Expeditionary Systems will make the decision to initiate a Non-Disclosure Agreement with them as well. All originals and copies of proprietary data must be properly destroyed or must be returned to the originating source when they are no longer needed.

## 7.0 ITAR Controlled Drawings

Supplier acknowledges that HDT Expeditionary Systems may provide technical data subject to Export Control laws and any drawings will be marked as "ITAR Controlled". This technical data will not be disclosed to any foreign persons (or dual-citizens) or foreign commercial entities, including employees, consultants, subcontractors, vendors and suppliers. The technical data will only be utilized for the manufacture of articles required by the purchase order. The supplier will convey the same requirements to their **sub-tier suppliers**. The supplier also agrees to destroy or return all such technical data upon completion of the purchase order.

## **8.0 Supplied Drawing Format**

In most cases, an Adobe, PDF file of the two dimensional layout will be provided for the Supplier to use in Quoting. If it is necessary that drawing be provided in a different format (other than an Adobe PDF file), or if you have any questions regarding this issue, please feel free to contact your HDT Expeditionary Systems Supply Chain Representative.

## **9.0 Quality Management System (QMS)**

HDT Expeditionary Systems adheres to the requirements of ISO 9001 as their fundamental Quality Management System standard.

Suppliers must have current registration to ISO 9001, or a recognized equivalent, to be considered a “Preferred Supplier” to HDT Expeditionary Systems. Prior to the placement of new business, a supplier selection review will be conducted to determine if the proposed or existing suppliers are capable of producing product which meet the expectations and specifications of HDT Expeditionary Systems. Additional requirements to be considered an HDT preferred supplier are outlined in Section 11.3.

The establishment of a Supplier QMS is intended to assure that material provided to HDT Expeditionary Systems conforms to the contracted requirements, drawings and/or specifications. All materials shall be processed, controlled, inspected and tested in accordance with the requirements set forth in the Purchasing Documentation, including the Drawing, when applicable, Customer Standards and Purchase Order Terms and Conditions, including all references contained therein. Suppliers that do not have an ISO 9001 3<sup>rd</sup> party certification should be working toward that goal.

## **10.0 Supplier Software Quality**

Where applicable, Supplier Quality will perform software audits, and product evaluations of designated project related software and related items. This may include verification of Final Product Testing and performance criteria, as required by the HDT customer’s contract.

## **11.0 Evaluating New & Existing Suppliers**

### **11.1 New Suppliers**

A new supplier is defined as a company that HDT Expeditionary Systems has not previously dealt with. New suppliers may be subject to an on-site evaluation/audit, at the supplier's facility, to determine the supplier's capability to meet the needs of our customers. All new suppliers must be qualified, and Approved in the HDT Procurement System, prior to the awarding of new business.

The prospective new supplier may be asked to complete HDT's global quality assurance form, GQAF 0029 self-assessment form in lieu of and/or in addition to an on-site review. The supplier will complete the assessment and provide any necessary supporting documents to the HDT Expeditionary Systems Supplier Quality Engineer.

A third party quality system registration, such as ISO-9000, AS-9100 or ISO-13485, may be recognized in lieu of a periodic on-site assessment, but, may be program specific.

### **11.2 Existing Suppliers**

The HDT Supplier Quality Team may conduct process reviews and/or audits when production problems occur that affects Product Quality, Delivery Schedule or when additional Processes or "Special Processes" are being considered for the existing supplier's facility. HDT Expeditionary Systems reserves the right to conduct periodic reviews of the supplier's processes to assure that previous systems are being maintained.

### **11.3 Preferred Suppliers**

To be considered an HDT preferred supplier, a company must exhibit they are capable and willing to meet or exceed all requirements as outlined below:

1. Technology: Supplier commits to maintain or improve its technology, industry position and competitiveness;
2. Quality: Supplier commits to meet or exceed HDT's quality requirements as defined in this supplier quality requirements manual;



3. Lead-time: Supplier commits to deliver goods and/or services on-time pursuant to HDT 's requirements as set forth in any purchase order;
4. Delivery quantity: Supplier commits meeting HDT 's expectations with regard to delivery quantities pursuant to all POs and/or Long Term Agreements;
5. Price: Supplier commits to maintain or improve its competitiveness with respect to pricing; and
6. Innovation/Continuous Improvement in all the above: Supplier commits to work with HDT to reduce cost, improve quality and reliability, to continuously improve technology and to help HDT increase sales.

All preferred suppliers will be scored and measured using HDT's standard supplier scorecard template as outlined in section 38.0. The scorecard program rates suppliers on their cost, quality, delivery, and responsiveness as it relates to their support of HDT business.

## **12.0 Right of Access**

HDT Expeditionary Systems reserves the right to audit a Supplier's Quality system upon request. Procedures, material, inspection methods, test equipment and usage, techniques, facilities, personnel, performance, and documentation at a supplier's manufacturing and support locations may be subject to periodic review/ evaluation by HDT Expeditionary Systems Quality, Engineering and Purchasing Personnel. The Right of Access extends to HDT Expeditionary Systems and/or customer and regulatory agency representatives to review and verify Products, Processes, Procedures, and/or "Special" Processes. The Right of Access also applies to Supplier's subcontract partners.

## **13.0 Source Inspection**

The items and supporting quality documentation covered by the purchase order may be subject to Customer or Government source inspection and/or witnessing of tests prior to shipment. HDT Expeditionary Systems reserves the right to invoke source inspection any time throughout the performance of this contact at no cost to HDT Expeditionary Systems. In order to accommodate HDT source inspection representatives, supplier shall make facilities, equipment, inspection records, and assistance readily available.

When Customer Source Inspection is specified on the Purchase Order the supplier is required to provide a minimum of five (5) working day advance notification of requests for source inspection. Requests for source inspection must be submitted to the HDT Expeditionary Systems Purchasing Representative or to the Supplier Quality Engineer. Failure to notify HDT Expeditionary Systems of a source inspection **cancellation** within 48 hours, prior to the scheduled event, may result in a charge to the supplier for costs incurred.

When Government Source Inspection (GSI) is specified on the Purchase Order, the supplier is required to promptly notify their government representative so that appropriate planning for government inspection can be accomplished. In the event the representative or office cannot be located, the HDT Expeditionary Systems Quality representative shall be notified immediately. For GSI three (3) days' written notice is required prior to submission for inspection for resident and seven (7) days' for itinerant Government representatives.

Source inspection documentation must accompany every shipment when invoked. Unauthorized shipment of product without the required Customer or Government source inspection may result in a withholding of invoice payment and shall be cause for rejection.

Source inspection shall not replace supplier inspection, and does not preclude subsequent rejection upon receipt by HDT or relieve a supplier of its responsibility for furnishing an acceptable end item. Suppliers should have their inspection reports and documentation available when the HDT Supplier Quality Representative arrives.

#### **14.0 Approving Parts for Production**

HDT Expeditionary Systems will review and approve a First Article Inspection (FAI), when applicable. This approval will be considered an approval for production of parts.

#### **15.0 First Article Inspection (FAI)**

FAI requires that all characteristics for a part be checked and verified prior to full production and receipt of part into the HDT Expeditionary Systems facility. First Article Inspection is performed by the Supplier in accordance with the HDT Expeditionary Systems drawing and FAI Type, specified on the Purchase Order. This information can be found in the Quality Clauses or included with the Purchase Order depending on the HDT site of initiation.

First Article Inspections are required for the following:

- FAI is a contractual requirement,
- There is a change to the physical characteristics or material makeup of the part,
- There is a change to the manufacturing process,
- There is a change in supplier or sub-supplier,
- There is a change in manufacturing location, (Operations approval required)
- The part has not been manufactured or purchased in more than one year.

#### **16.0 First Article Inspection Package Requirements for a Supplier.**

The supplier should submit the following package to HDT when a FAI is contractually required for a quantity of 1 unless otherwise defined utilizing AS9102 Format or supplier equivalent.

- a. A ballooned / numbered drawing identifying all characteristics on the drawing (this includes all dimensional callouts as well as all other notes and requirements including those identified on associated drawings and / or QAPs). Note: The drawing utilized must be what is contractually purchased from the customer. No external supplier drawings shall be used, unless approved by HDT.
- b. A ballooned purchase order or contractual documentation outlining requirements.
- c. A formal report verifying each requirement ballooned on the drawings with variable data, when applicable. This report shall contain the part and revision number, the part description, and be numbered per the ballooned drawing(s) and contain the specified requirement, all specified tolerances, and actual variable or attribute data as applicable.
- d. Test reports, Certificate of Conformance, Certificate of Analysis or any other objective evidence to demonstrate that characteristics such as performance specifications, materials, finishes, NDT, etc. have been tested and confirmed.
  - i. Any Engineering Change Proposals (ECP) or Approved Request for Variance (RFV) in lieu of meeting contractual requirements, if applicable.
  - ii. Cover page with Customer, Part Number, Revision, Final Approval signatures as deemed required by Quality and/or Engineering.

- iii. Unless otherwise specified by contract or purchase order, NAS, MS, SAE certified and COTs (commercial off the shelf) items that do not require a formal FAI are required to be accompanied by a C of C indicating they meet all specified requirements.

## 17.0 Request for Quote - RFQ

- Upon receipt of a HDT Expeditionary Systems Request for Quote, potential suppliers should prepare and submit a document package with their quote. Quote package should include a written acknowledgement that the technical documents provided by HDT Expeditionary Systems are understood and deliverable (i.e. Supplier Quality Documents, drawings, packaging, labeling, RFQ No., etc.).
- Any questions that the supplier has concerning the RFQ, should be resolved prior to quote submission. The best source for assistance, with this process, is the Supply Chain Representative that requested the quotation.
- HDT encourages the development and growth of qualified small disadvantaged, handicapped, veteran-owned, HUB-Zone, minority-owned, and woman-owned businesses by actively seeking out, aiding in their qualification as sources, soliciting bids/quotes and placing orders for products and services with such businesses consistent with efficient and economic performance of the Company.
- At HDT's discretion or for material and/or services that are expected to exceed \$1,000, HDT will request price quotes from two or more eligible suppliers where feasible (see exception below), and will issue a purchase order to the supplier offering the best combination of quality, service, and price.

Obtaining quotes from multiple sources is not a requirement in certain unique situations where quoting would result in no apparent benefit to the company. Examples of this may be where there is only one source, where the customer specifies a particular supplier, where the corporation has already negotiated a Long Term Agreement (LTA) or a national contract, or in other special circumstances, with the Director of Supply Chain's approval.

- When HDT is requesting a quotation, complete information will be provided, which may include:

- annual quantity forecasted
- description
- delivery requirements
- drawings
- specifications (ES or MS or industry standard information)
- any special conditions

## 18.0 Certifications

HDT Expeditionary Systems Suppliers are required to submit Certifications, with each shipment. The most common Certifications are described below. *Specific Quality Clauses may also be called out on the purchase order, depending on HDT site.*

### 18.1 Certificate of Compliance

Certificate of Conformance (CoC): A document dated and signed by the responsible company representative from the provider stating that the parts were manufactured in compliance with all drawing and specification requirements and that records of such conformance are available upon request. The CoC must contain at a minimum the following information:

- [1] HDT Purchase Order Number (PO) and Line,
- [2] HDT Part Number and revision level (as stated on the PO),
- [3] Supplier Part Number and revision level (if applicable),
- [4] Traceability information (i.e., serial numbers, lot number, batch number, etc.) (where applicable);
- [5] Quantity Shipped,
- [6] Name of approved lower-tier supplier and descriptions of service provided (if applicable),
- [7] All applicable specifications listed, if not stated on the drawings or specification sheet, and
- [8] Shelf Life / Expiration Date (as applicable).
- [9] Responsible company representative acceptance signature and acceptance date

*A Certificate of Compliance (CoC), based on historical test data, shall be acceptable for verification of the fabric weathering and mildew requirement. In lieu of weathering testing for each lot, the test report may reference passing results tested under the first full production fabric lot. Any subsequent modification of the chemical formula or processing methods utilized during the manufacture of the fabric, or any substitution of different fabric, shall require physical testing to all*

*fabric specification and end item specification terms for verification. The historical data shall be established during testing for the first full production lot for each contract. Weathering and mildew testing for the First Article cloth may be waived in preference to First Article and First Lot mildew and weathering testing. The CoC shall be valid for one calendar year or at each option of the contract where applicable. Shade verification required by DSCPM 4155.3 shall be submitted once a year in lieu of for each lot.*

## **18.2 Certificate of Analysis**

Certificate of Analysis (CoA): A laboratory or otherwise test report dated and signed by the responsible representative providing actual results of testing or examination validating that specified requirements have been met. Material Certification is a document provided by the Material Provider that state material Size and Actual test results for Chemical and Physical Properties for any Raw Material ordered, or, for the Material used to manufacture the supplied product(s). Certification of Analysis must include (or be annotated with) the following:

- [1] HDT Purchase Order Number (PO) and Line,
- [2] HDT Part Number and revision level (as stated on the PO),
- [3] Supplier Part Number and revision level (if applicable),
- [4] Traceability information (i.e., serial numbers, lot number, batch number, etc.) (where applicable);
- [5] Quantity Shipped,
- [6] Name of approved lower-tier supplier and descriptions of service provided (if applicable),
- [7] Test report/results, name and address of the tester or independent laboratory, and date and run time (if applicable), and
- [8] Responsible company representative acceptance signature and date.

## **18.3 Certificate of Test**

Certificate of Test (CoT): A document dated and signed by the responsible company representative from the provider stating all required testing was completed, acceptance criteria met, test data provided, and all purchase order, specification, and drawing requirements met. Certification of Test must include the following:

- [1] HDT Purchase Order Number (PO) and Line,
- [2] HDT Part Number and revision level (as stated on the PO),
- [3] Supplier Part Number and revision level (if applicable),
- [4] Traceability information (i.e., serial numbers, lot number, batch number, etc.) (where applicable);

- [5] Quantity Shipped,
- [6] Name of approved lower-tier supplier and descriptions of service provided (if applicable),
- [7] Test report/results, name and address of the tester or independent laboratory, and date and run time (if applicable), and
- [8] Responsible company representative acceptance signature acceptance and date.

## **19.0 Special Processes**

Supplier shall provide certifications for all special processes and nondestructive test results performed with each shipment. The certificate shall identify the processor, process used, controlling specification & revision, and the results of test or measurement performed. Supplier used shall be a HDT and/or end customer approved source for said Processes. These include operations subject to process controls such as: coating, joining, heat treating, cleaning, non- destructive test, plating, painting, etc. The Supplier shall be approved as per above to perform specific required Special Processes, or use Special Process vendors acceptable. Please contact HDT Supply Chain or Quality.

## **20.0 Shelf Life Certification**

When HDT Expeditionary Systems purchases materials that are susceptible to degradation over time, Shelf Life Certification may be required. The Shelf Life Certification is dependent on the Supplier maintaining the proper environment to store the susceptible materials, to prevent premature degradation. A method for ensuring that the susceptible material has the remaining shelf life, when received, is required.

Shelf Life Certification will (at a minimum) contain the following information:

- Material Description including Material Type, Grade, and/or Material Specification
- Manufacturers Name and Address
- Manufacturing Date, Lot Date or Cure Date
- OEM's Specified Usable Life Period
- Remaining Shelf Life
- Expiration date clearly indicated

## **21.0 Nonconforming Material**

### **21.1 Nonconforming Material Containment**

Suspected Nonconforming material should be segregated from acceptable product, identified in a suitable manner, and quarantined by the supplier. The supplier is responsible for ensuring containment and proper procedures to avoid cross contamination.

### **21.2 Nonconforming Material Notification**

The supplier must immediately notify the HDT Expeditionary Systems Supplier Quality Engineering and Purchasing Departments if it is discovered that nonconforming material may have shipped to any HDT Expeditionary Systems facility. Immediate notification should be made by telephone followed by written documentation of the problem. Notification should include, and Identify: Part Number, Quantity, Shipping Date(s), Lot Identification, and any other information that will assist HDT Expeditionary Systems in locating and containing the Nonconforming Material. All requests for waivers or deviations from specified requirements must be submitted in writing to HDT's Supply Chain Representative prior to delivery of product to HDT. All requests must include the reason for the request, duration of the request, and must be approved by HDT prior to shipment of product.

### **21.3 Visual Acceptance**

HDT Expeditionary Systems does, on occasion, utilize components that are considered, by our Customers, as "Appearance Items ". These items are visible to the customer and must be "Defect Free". Visual Inspection features include: sharp edges, burrs, chips, dents, scratches, color variance, discoloration, cracks, porosity and other like conditions which may be considered by HDT Expeditionary Systems to be nonconformities. Visual Acceptance is subject to the material types and processes, in relation to accepted industry standards and customer requirements. Questions or Concerns about Visual Acceptance should be addressed to your Supply Chain Representative or Quality Engineer, Prior to Shipment to HDT.

## **22.0 Supplier Corrective Action Requests - SCAR**

HDT Expeditionary Systems will notify the Supplier of a nonconformance with a Supplier Corrective Action Request (SCAR). A Supplier Corrective Action Request can be issued as a result of a receiving inspection rejection, defective parts found in stock, or defective parts found during our assembly process.



Supplier Corrective Action Requests will normally be transmitted electronically, with an electronic receipt being requested. Pictures and/or other supporting documentation will be provided to the supplier, if available. The supplier shall provide HDT Expeditionary Systems with a SCAR response **within 10 working days** of receipt of such request.

In the event the supplier is unable to respond within the allotted time frame, the supplier shall submit a request for an extension which shall include the reason for the extension request and the time needed to complete the corrective action report. The request for extension should be submitted to the issuing party.

### **23.0 Return Material Authorization**

When HDT identifies nonconforming material provided by a supplier, HDT will request a return material authorization (RMA) number from the supplier. Upon receipt of the RMA number and approval to return material, HDT will debit the suppliers account for the cost of the defective product. Upon rework/repair or replacement, the material shall be returned to HDT utilizing a separate Return Purchase Order for the purpose of traceability. The supplier shall then invoice HDT against the Return Purchase Order for proper payment.

When all objective evidence has been provided of receipt of a Non-conforming product, the supplier has 5 days to provide a Return Material Authorization (RMA) or HDT reserves the right to return. HDT will debit the suppliers account for the cost of the defective product.

### **24.0 Chemicals, and Other Hazardous Materials**

Safety Data Sheet (SDS) are required with each shipment of liquids, solvents, powders, gases or other materials that have a SDS assigned for the product. This includes Raw Materials that may contain, or produce hazardous elements during processing. All material, classified as hazardous by local, state or central government regulations, will be identified, documented, handled, packaged, and shipped as required by applicable laws, rules and regulations. All product, materials or services provided to HDT Expeditionary Systems shall satisfy current governmental regulations applicable to the county of sale as well as the country of manufacture. Governmental regulations typically include, but are not restricted to:

- Toxic and Hazardous Materials
- Environmental Impact
- Banned and Regulated Substances (International Material Data System – IMDS)

Additional assistance can be obtained by contacting the HDT Expeditionary Systems Environmental/Safety Manager.

## **25.0 Packaging, Labeling & Preservation Requirements**

### **25.1 Packaging and Labeling**

- As applicable, MIL-STD-129 (Current Revision) DEPARTMENT OF DEFENSE STANDARD PRACTICE MILITARY MARKING FOR SHIPMENT AND STORAGE as referenced in contractual requirements.
- As applicable, DLAD 52.247-9012, 52.247-9012 Requirements for treatment of wood packaging material
- Suppliers are responsible to ensure packaging is sufficient to protect material from shipping damage (nicks, dings, scratches, etc.)
- Packaging must eliminate metal to metal
- Suppliers will adhere to all HDT or Customer requirements for packaging of product to HDT to ensure that the parts are fit for use at delivery.
- Packaging and Labeling requirements may be developed and agreed upon prior to delivery of material.
- Suppliers are responsible for necessary label content requirements to maximize effective traceability. HDT expects suppliers to define and maintain lot traceability with all supplied parts.
- Unless specified, recycled boxes or other suitable shipping containers may be used. The supplier must ensure that no prior identification labels remain on the container that may conflict with the actual contents.
- Shipping documents and product labeling should provide for clear identification of contents, including purchase order number, part numbers, revisions and serial numbers. The use of unique identifiers on product labeling, such as bar coding, is encouraged for all shipments to HDT. Documents (packing list, SDS, inspection sheets, etc.) attached to the outside of the container must be attached to allow damage-free removal.
- All product shipped shall be free of FOD.

### **25.2 Preservation of Product**

Reasonable precautions shall be taken to ensure that parts, products, components & materials are not damaged during handling or storage at the supplier's premises. This will include, as applicable, but is not limited to the following:

- **ESD Protection (Electrostatic discharge)**

HDT suppliers are required to provide ESD protection (per established standards or ANSI ESD/S2020) and packaging identification to ESD sensitive product, while it is being produced and in custody of the supplier. Accompanying paperwork must be outside the ESD protective packaging. All electrostatic discharge (ESD) sensitive products must be wrapped in ESD protective bubble wrap or ESD protective bags prior to boxing. Apply identification label to the outside of the package.

- **Moisture Sensitive Parts**

Supplier is responsible to provide Protection of Moisture Sensitive Component per established standards.

- **Temperature Sensitive Material**

The Seller must identify each shipment of temperature sensitive material with the manufacture's date, storage temperature and recommended shelf life, in addition to the normal identification requirements of Name, Type, Size, Lot Clause and Quantity. Identification and special handling conditions must be recorded on the shipping document.

Shipments consisting of multiple containers shall have each container identified appropriately. All documentation should be placed in the first container. All necessary documentation should be marked "Packing Slip, certifications, test reports, etc. enclosed." Special packaging requirements may apply as specified by special packaging instructions (SPI) on the PO or Engineering requirements.

## **26.0 Additional Supplier Quality Requirements**

### **26.1 Material Identification and Traceability**

Supplier must maintain lot or batch control and identification through all stages of production, packaging and delivery. This must include subcontracted operations. Multiple cavity Injection molded product must have cavity identification.

The supplier will practice lot control in a manner consistent with good manufacturing practices. This shall include, but not be limited to, identification of lot number and production date, with timely rotation of materials and goods. The practice of FIFO (first in/first out) must be applied. The supplier will systematically trace the parts delivered to HDT Expeditionary Systems to facilitate in the identification of a product in the event of a nonconformance in a production run in similar products or dates. This should have the ability to trace to material

subcontracted by the supplier. This traceability will be to the level of sub-assembly parts used in the suppliers' processes and final product.

All parts, shipments need to include the following:

1. Part Number
2. Description
3. Purchase Order
4. Quantity
5. Lot Number/Heat Number

For suppliers who have the capability to produce bar code labels, this is the preferred method of identification.

## **26.2 Incoming Inspections**

Suppliers are responsible for the conformance of any parts received by a sub-tier supplier. As dictated by the Suppliers Quality Management System, compliance must be verified prior to performing release of components/material for further processing or assembly. This inspection is to include verification that there is no damage or non-conformances. Suppliers must verify that any required certifications, test reports and sub-tier FAls are included.

## **26.3 In-Process Inspection**

The supplier must maintain appropriate process control and pre-delivery inspection to assure that all products provided to HDT Expeditionary Systems meets contractual requirements.

## **26.4 Part/Component Cleanliness and Foreign Object Debris (FOD)**

The supplier shall furnish parts/components free of mill scale, rust, carbon deposit, weld spatter or any surface contaminant that will be detrimental to the item's appearance or functional appearance (i.e. contamination that is detrimental to the adhesion of coatings). Any part not meeting this criterion is subject to return to supplier for immediate correction.

The supplier is also responsible to assure that shipped items are free of Foreign Object Debris (FOD). This is identified as any debris, substance, trash or article alien to the component being packaged. FOD, when expressed in physical or economic terms, may or may not degrade the products required safety or performance characteristics.

## 26.5 Counterfeit Part Prevention

To prevent the inadvertent use of counterfeit parts and materials all fasteners and/or electrical, electronic and electro-mechanical parts delivered and/or used in the manufacture of deliverable products shall be from the Original Component Manufacturer (OCM)/Original Equipment Manufacturer (OEM), or their franchised dealer or an authorized distributor chain. Parts shall not be used or reclaimed and misrepresented as new. Parts shall not be acquired from independent distributors or brokers unless specifically authorized in writing by the buyer. Supplier shall flow down this requirement to all sub-tier suppliers. Suspect counterfeit or counterfeit parts will not be returned nor reimbursed. Supplier will immediately notify HDT Expeditionary Systems with all pertinent facts if supplier becomes aware, or suspects, that it has furnished suspected-counterfeit items. Supplier shall, at its expense, promptly replace any suspect counterfeit or counterfeit parts with new parts conforming to the requirements of the purchase order.

## 27.0 Use of Customer Designated Sub-suppliers

The use of customer designated subcontractors does not relieve the supplier of the responsibility of ensuring the quality of subcontracted parts, materials and services.

The Supplier has full responsibility for any sub-contracted process, and, will have final approvals or inspection, in place, to assure all sub-contracted components conform to the specifications identified on the HDT Expeditionary Systems Drawings, Associated References, and Purchase Order requirements. Suppliers must be able to provide objective evidence of their Quality System flow down of requirements for their sub-tier suppliers upon request.

**Note:** Any damage, nonconformance's or paperwork discrepancies, identified on HDT Supplied Items (Customer Supplied Material) requires notification to HDT Expeditionary Systems within three working days of discovery by contacting your HDT Expeditionary Systems Supply Chain Representative identified on the applicable purchase order. HDT Expeditionary Systems will determine what action is required.

## 28.0 HDT Supplied Tooling

Supplier shall properly house, care for, preserve, repair or, if necessary, replace Customer Owned Tooling when jointly deemed necessary by HDT and Supplier. Supplier is expected to maintain HDT tooling in good working condition at all

times. Supplier shall notify HDT of any necessary repairs and or required updates to customer owned tooling to ensure no disruption to supply occurs at any time. The Customer Owned Tooling is on loan to the Supplier by HDT Expeditionary Systems and must be returned to HDT or an HDT designee immediately upon request. **Note: This statement may be Subject to Contractual Agreements.**

## 29.0 Calibration Requirements

All Inspection Measuring & Test Equipment used by the Supplier during in-process and final inspection shall be calibrated to the national standard.

## 30.0 Specific Requirements

### 30.1 Sampling Plans

Where applicable the supplier shall adhere to the AQL defined by the technical data package. The order of precedence shall be:

- a. Contract
- b. Performance Specification
- c. Drawing
- d. Quality Assurance Representative or "Quality Assurance Procedure"

If no AQL is defined by the TDP, the following shall apply:

- Critical = 100% inspection
- Major = 1.0 AQL
- Minor = 4.0 AQL

Note: Reference to AQL is only to be used for determining sample size. Supplier shall, in all instances where lot sampling is utilized, inspect characteristics in accordance with the following inspection plan:

Lot Size	.65	1.0	1.5	2.5	4.0	6.5	10	S2N
2-8	ALL	ALL	ALL	5	3	2	2	2
9-15	ALL	13	8	5	3	2	2	2
16-25	20	13	8	5	5	5	3	3
51-90	20	13	8	7	6	5	4	3
91-150	20	13	12	11	7	6	5	3
151-280	20	20	19	13	10	7	6	3
281-500	47	29	21	16	11	9	7	3
501-1200	47	34	27	19	15	11	8	3
1200-3200	53	42	35	23	18	13	9	3
3201-10000	68	50	38	29	22	15	9	9
10001-35000	77	60	46	35	29	15	9	9

<b>35001-150000</b>	96	74	56	40	29	15	9	9
<b>150001-500000</b>	119	90	64	40	29	15	9	9
<b>500001&amp; OVER</b>	143	102	64	40	29	15	9	9

**Note: Accept lot on 0 (zero) defects**      Reject lot on 1 (one) or more defects

The following situations shall not utilize this C=0 Plan:

1. Visual weld inspection
2. Nondestructive examination
3. Frequency-based testing such as sample/quantity or sample/time period
4. Fastener quality assurance requirements

Where the AQL is not identified in the TDP, the sampling plans shall be in accordance with C=0 unless approved by HDT. C=0 sampling shall be applied to all lots presented for final acceptance. Non-standard sampling plans must be approved in writing by the HDT quality representative prior to use Statistical Process Control (SPC)

HDT encourages and supports suppliers who are implementing or executing a sampling system using statistical process control techniques. Such statistical data must be comprehensive enough to adequately document quality conformance. Use of SPC in lieu of sampling must be approved in writing by HDT prior to implementation.

### 31.0 Control of Records

The supplier shall have a system to maintain and store records.

- a. Records shall remain legible and easily retrievable.
- b. Records are stored in a suitable environment to prevent, damage, deterioration or loss.
- c. Records are available to customers or regulatory authorities.
- d. Records shall be maintained for a minimum of ten (10) years after completion of the HDT contract or as specified in the Purchase Order (PO).

### ***32.0 Customer Furnished Material (CFM) or Government Furnished Equipment***

The supplier shall be responsible for maintaining inventory control, preservation and packaging of CFM. CFM includes parts, jigs, fixtures, test equipment, software, etc. When nonconforming material is identified the supplier must notify their HDT buyer as soon as practicable. HDT will provide written instructions for disposition of the defective CFM.

### ***33.0 No Change Policy***

Supplier shall not make a change in design, materials, or processes specifically controlled by the Product drawing or specification without prior written notification to, and written approval from the HDT Engineering and/or Quality Representative. Supplier shall have a formal method of approved changes. Seller shall notify HDT buyer of any change in his design, materials, or processes not controlled by the buyer's drawing or specification prior to manufacturing the changed articles.

**Part obsolescence - Suppliers are responsible to contact HDT immediately for any obsolescence on product/parts or components.**

### **34.0 Shipping Requirements**

HDT Expeditionary Systems reserves the right to specify HDT Expeditionary Systems preferred carriers as well as mandate suppliers to include freight in the landed piece price of material. Suppliers are responsible for proper transportation in order to meet agreed delivery dates. All missed shipments must be expedited the same day at the Supplier's expense. Country of Origin Statements must be supplied for each product part number supplied to HDT Expeditionary Systems.

### **35.0 On-Time Delivery**

100% on-time delivery is a requirement for all HDT Expeditionary Systems suppliers. Suppliers will adhere to all specified delivery times and shipping methods. Contact the HDT Receiving Department for optimal receiving hours. Failure to meet delivery requirements will reflect on the supplier's "On Time Delivery Rating".



### **36.0 Delivery Requirements**

The Supplier will adhere to formally accepted shipment dates as specified on the Purchase Order. The acceptable window for deliveries is identified on the Terms & Conditions included with the Purchase Order.

### **37.0 Excess Freight Charges**

Authorization for premium or nonstandard freight expenses must be obtained prior to shipment. If the supplier receives no prior authorization, all costs for freight will be the supplier's responsibility. Premium freight is defined as any expedited shipments above and beyond the agreed upon shipment frequency and is not limited to airfreight. If we incur excess freight charges due to the fault of the supplier, the supplier will be responsible for these excess charges. The supplier is responsible for the freight when multiple shipments are required due to your inability to meet our production schedule.

### **38.0 Supplier Scorecard Program**

#### **38.1 Introduction:**

HDT realizes that our vendors are not simply suppliers from whom goods and services are procured. Rather, our suppliers are valued business partners with expertise, assets, and capabilities that may create competitive advantage for HDT and HDT customers. We understand the value of shared success and effective interactions with our suppliers across functional groups and business units. It is our intention and commitment to manage these interactions as a relationship, rather than as a series of functional transactions. In this way, HDT and our supply base can maximize the value created through our relationships with preferred suppliers.

HDT is committed to helping our suppliers be successful. We want to leverage our suppliers' best ideas and most talented people by developing the highest level of trust. To do so, HDT will strive to work with our preferred suppliers effectively and productively while sharing information and resources with suppliers to achieve more than either party could independently.

HDT's supplier scorecard program has been developed to be a system of measurement-supported accountability: "Here's what we expect, and we are committed to working with you to help you meet our expectations, and we will strive to do so in a way that is sustainable for both you and HDT."

Our supplier metrics are a combination of both operational and procedural measures. This involves looking both at *what* we are doing together, as well as *how* we are interacting. The purpose of these metrics is to 1) provide accurate information to drive productive conversations, and 2) to raise important questions

concerning not only fundamental supplier performance, but to facilitate the resolution of problems and to provide warning of potential issues in our supply chain. It is our intent to enhance supplier performance as an overall strategy toward healthier supplier-partner relationships and a premier supply chain.

**38.2 Frequency of Supplier Performance Monitoring:**

HDT will review scorecards with our preferred suppliers and “at risk” suppliers on a quarterly basis. HDT may administer supplier scorecard reviews via teleconference and on-site visits. Suppliers may receive their scorecard review via e-mail if scores have not changed substantially from the previous quarter.

**38.3 Supplier Performance Indicators:**

HDT’s supplier evaluation program results in an overall composite supplier score consisting of four key performance indicator components and weightings. The composite supplier score ranges from 0 to 100. The individual performance indicators with their initial weightings are shown in Table 1 below. Each of these indicators will be explained in further detail.

**Table 1: Key Supplier Performance Indicators**

<b>Key Performance Indicator</b>	<b>Weighting</b>
Quality	30 points
Delivery	30 points
Cost	25 points
Growth & Development	15 points
<b>Composite Score</b>	<b>100 points</b>

**38.3.1 Quality Indicator:**

The quality metric is 30% of the total composite score, and is composed of four subcomponents. These subcomponents and their weightings are shown in Table 2 below.

**Table 2: Quality Indicator Subcomponents**

<b>Indicator</b>	<b>Weighting</b>
# of SCARs issued	10 points
# of Non-Conformance Incidents	5 points
Supplier Defective PPM	10 points
Respond to SCARs within 10 days	5 points

**# of SCARs Issued:**

This subcomponent of the Quality metric accounts for 10 of the total 30 points available in the Quality category. Essentially, if HDT is required to issue a SCAR to suppliers for repetitive and/or quality issues adversely impacting HDT’s revenue or HDT Customer’s revenue, points are allocated according to the scale in Table 3.

**Table 3: SCARs Issued Scale**

<b>No. of Deviations Issued</b>	<b>Points Earned</b>
0 SCARs	10
1 SCAR	5
2 or More	0

**# of Non-Conformances Issued:**

This subcomponent of the Quality metric accounts for 5 of the total 30 points available in the Quality category. Essentially, if HDT is required to issue a non-conformance to suppliers for quality issues, to include requests for deviation from HDT engineering or HDT customers, points are allocated according to the scale in Table 4.

**Table 4: Non-Conformances Issued Scale**

No. of Deviations Issued	Points Earned
0	5
2 or less	3
3 or more	0

**Supplier DPPM:**

The first indicator of defective PPM is a straightforward measure of parts received in the evaluation period vs. parts rejected in the same period, where those rejections are supplier quality related. The rejected parts total is a sum of parts rejected either at receiving, on one of our production lines, or at our customer. Our internal systems capture the various origins of rejected components throughout product realization and delivery, and these totals are passed through to the quality metric and then normalized to parts per million.

For this calculation, a “part” is defined as the purchasing unit. If our PO to the supplier is in units of “EACH”, then 1 part is 1 piece. If our PO is in “YARDS”, then 1 part is 1 yard, etc. Under this formula, it is possible to accumulate more rejected parts than shipped parts within a period. In these cases, the defective PPM will be stated as 1,000,000.

It is neither HDT’s policy, nor desire to sort nonconforming vendor components in-house. It is our policy to confirm the nature and accuracy of the rejection, and then make arrangements with the supplier to return the entire quantity of most recently received components of nonconforming material, and then to receive in conforming material with which we can resume production. In practice, there are cases where we must sort rejected supplied material to keep our operations running. Suppliers will always be notified of such events and will be back-charged for the labor required to correct the quality spill.

In addition, it is not our policy to ask vendors to come in to our facilities to sort or rework their nonconforming materials. However, there are cases where this is unavoidable due to production constraints.

**NOTE: If a nonconforming shipment was sorted by HDT in-house, and only some parts were found to be defective, HDT will use only the rejected quantity of parts in calculating the defective PPM. If an entire shipment of material was returned to the supplier, it is incumbent upon the supplier to inform HDT of the final quantity of defective parts. If the supplier does not communicate to HDT in this regard, the entire rejected quantity will be counted as defective.**

Points earned for the available 10 points in this part of the quality metric are assigned via the PPM scale shown in Table 5 below.

**Table 5: Defective PPM Point Scale**

Defective PPM Range	Points Earned
<700	10
<1000	5
>1000	0

**Responsiveness to SCARs:**

This subcomponent of the Quality metric accounts for the final 5 points of the total 30 points available in the Quality category. HDT will measure a supplier’s responsiveness to SCARs as outlined in Table 6 below.

**Table 6: SCAR Response Point Scale**

Supplier SCAR Response Rate	Points Earned
Responds to SCARs within 10 days	5
Responds to SCARs within 15 days	3
Responds to SCARs > 15 days	0

**38.3.2 Delivery Indicator:**

The delivery metric is 30% of the total composite score, and is a direct calculation of on-time delivery in full by PO line. 25 points is earned via on-time delivery or OTIF and 5 points is earned if offering consignment, VMI, or Kanban material replenishment programs. OTIF is measured to HDT’s SAP statistical delivery date. For the scorecard delivery metric calculation, 1) on-time is defined as a shipment that is delivered on, or up to 5 business days prior to the promise date, and 2) partial deliveries are essentially ignored. All PO lines must be received on or 5 days prior to the promised delivery date to be considered on-time, in full.

To receive the remaining 5 points in full for the delivery indicator, suppliers must be actively participating in a VMI program, Kanban program, consignment, or other material replenishment program with HDT.

Points earned for the available 25 points in the OTIF delivery metric are assigned via the scale shown in Table 7 below.

**Table 7: OTIF Point Scale**

<b>% OTIF</b>	<b>Points Earned</b>
>98	25
90 – 97.9	15
<90	0

Points earned for the remaining available 5 points in the material replenishment delivery metric are assigned via the scale shown in Table 8 below.

**Table 8: Material Replenishment Program Point Scale**

<b>Material Replenishment Program / Consignment / VMI / Kanban</b>	<b>Points Earned</b>
Program in Place	5
Supplier is aware and actively pursuing	3
Unaware or no initiative in place	0

All supplier representatives are encouraged to work with your HDT buyers to effectively manage promise and shipment dates.

**38.3.3 Cost Indicator:**

The cost metric is 25% of the total composite score, and is scored based on the supplier’s purchase price variance (PPV). HDT uses this metric to rate our suppliers’ pricing competitiveness. In order to do this, HDT sets the standard cost for purchased material annually and compares suppliers’ current cost to the standard that was set forth when initiating business with suppliers for each individual component purchased in a specific quarter. Purchase Price Variance is the output of this comparison and is reported out in basis points: 1.0 meaning no increase at all, .99 meaning a 1% decrease in cost and 1.01 meaning 1% price increase.

Points earned for the available 25 points in the cost metric are assigned via the scale shown in Table 9 below.

**Table 9: Competitive Pricing – PPV Point Scale**

<b>Material Replenishment Program / Consignment / VMI / Kanban</b>	<b>Points Earned</b>
PPV < .99	25
PPV .99-1.01	15
PPV > 1.01	0

**38.3.4 Growth and Development Indicator:**

As stated earlier, our supplier metrics are a combination of both operational and procedural measures. This involves looking both at *what* we are doing together, as well as *how* we are interacting.

The growth and development metric is 15% of a supplier’s composite score, and it is a system used to provide feedback into *how* we are interacting. In order to assess the quality of our relationships, HDT is using an internal feedback system of 5 questions to provide insight into the responsiveness and engagement of our supply base. The five questions used to score this metric are as follows:

1. PO Acknowledgement (5 points)
  - a. 5 points if acknowledged in 7 days
  - b. 3 points if acknowledged <10 days
  - c. 0 points if acknowledged >10 days
  
2. RFQ Responsiveness (5 points)
  - a. 5 points if received in 7 days
  - b. 3 points if received <10 days
  - c. 0 points if received >10 days
  
3. Meeting HDT minimum Payment Terms (5 points)
  - a. 5 points if able and willing to meet Net 60 payment terms
  - b. 3 points if aware and working toward meeting Net 60 payment terms
  - c. 0 points if unwilling to meet Net 60 payment terms
  
4. Engagement in New Programs (Yes/No)

5. LTA Agreement – has one been executed? (Yes/No)

Each question in the survey provides us with insight into the supplier relationship and responsiveness, as well as areas that may need to be addressed based on company goals. Questions 1-3 are scored to total 15 points available for this indicator. We do analyze the survey responses to determine if the different HDT functional teams view our relationships with suppliers differently, but no special weighting is granted to any internal team.

Points earned for the available 15 points in the growth and development metric are assigned via the scale shown in Table 10 below.

**Table 10: Growth and Development Point Scale**

Growth and Development	Points Earned
PO acknowledgement within 7 days	0-3-5
RFQ response within 7 days	0-3-5
Meeting Current Payment Terms Requirements	0-3-5
Engagement In New Programs	Yes/No
LTA Agreement in Place?	Yes/No

**38.4 Supplier Rating Categories:**

As noted above, the result of the individual indicator scores in quality, delivery, cost & growth and development is a supplier composite score. Based on this composite score, suppliers are placed into one of four rating categories as shown in Table 5 below.

**Table 5: Supplier Rating Categories**

Rating Range	
Blue // Preferred	95-100
Green // Approved	80-94
Yellow // Conditionally Approved	65-79
Red // Needs Improvement	< 65



#### **38.4.1 Preferred Category:**

Suppliers achieving preferred status will be categorized as partners with which HDT wishes to grow business. All preferred suppliers will be considered first for new product development and sourcing opportunities.

#### **38.4.2 Approved Category:**

Suppliers achieving an “Approved” rating remain in good standing with HDT. These suppliers provide a high degree of satisfaction with respect to the key performance indicators, and are highly valued HDT partners. It is HDT’s desire to have all suppliers reach, and sustain this performance level, at a minimum.

#### **38.4.3 Conditionally Approved Category:**

When a supplier’s composite score falls into the “Conditionally Approved” category, a representative of HDT’s Supply Chain or Quality team may issue the vendor a SCAR (supplier corrective action request) asking them to determine root cause and submit a corrective action plan to address the composite score issues. These corrective actions should be targeted specifically at the issues surrounding the low composite score.

SCARs will be issued via email to supplier representatives, and should be submitted back the issuer via email. Timing for the response is within 10 calendar days of issuance. HDT will review the SCAR response, monitor supplier performance in the next rating period, and based on supplier performance, take additional actions as necessary.

In addition to a SCAR, the supplier may be asked to complete HDT’s GQAF 0029 self-assessment and development form. This form will be to survey the supplier’s understanding of root causes and the corrective actions they’re taking to raise their composite supplier scorecard score to 80 or above.

#### **38.4.4 Needs Improvement Category:**

Should a supplier’s composite score fall into the “Needs Improvement” category, a representative of HDT’s Supply Chain or Quality team may issue the vendor a SCAR (supplier corrective action request) asking them to determine root cause and submit a corrective action plan to address the composite score issues. These corrective actions should be targeted specifically at the issues surrounding the low composite score.

SCARs will be issued via email to supplier representatives, and should be submitted back to HDT’s supplier quality manager via email as well. Timing for the

response is within 30 days of issuance. HDT will review the SCAR response and monitor supplier performance in the next rating period.

In addition to a SCAR, the supplier may be asked to complete HDT's GQAF 0029 self-assessment and development form. This form will be to survey the supplier's understanding of root causes and the corrective actions they're taking to raise their composite supplier scorecard score to 80 or above.

In addition to the SCAR and Supplier Assessment & Development form, HDT may require one, or all of the following:

- 1) Complete & submit a supplier self-assessment survey
- 2) Be asked to participate in regular supplier performance review forums with HDT
- 3) Be subject to an on-site supplier quality assessment
- 4) Additional actions as necessary

HDT wishes to give all of our supplier partners the opportunity to correct any and all performance issues. We seek to facilitate the resolution of problems as applicable, and to enhance supplier performance as an overall strategy toward healthier customer- supplier relationships.

<b>Approvals</b>			
Director, Strategic Supply Chain	<b>Andrew Youngberg</b>	Date	<b>11/30/2019</b>
Director, Quality	<b>Suzanne Weber</b>	Date	<b>11/30/2019</b>

<b>Revision</b>	<b>Description of Change</b>	<b>Change By:</b>	<b>Date</b>
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